

December 19, 2002

To: Supervisor Yvonne Brathwaite Burke, Chairman
Supervisor Gloria Molina
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

From: David E. Janssen
Chief Administrative Officer

SHERIFF HELICOPTER LEASE-PURCHASE ACQUISITION - RESULTS

On August 13, 2002, the Sheriff's Department and my office presented a joint recommendation to your Board regarding the acquisition and financing of 12 AS350B2 helicopters from American Eurocopter Corporation (AEC), along with ancillary equipment and services, with an aggregate acquisition cost of \$28.8 million.

On August 27, 2002, your Board directed my office, the Internal Services Department, and Sheriff's Department to limit the initial acquisition to six helicopters with ancillary equipment and services. Your Board further directed our departments to negotiate an option for the acquisition of an additional six helicopters from AEC prior to June 30, 2003, with the condition that no penalty would be imposed if the additional six helicopters are not purchased by the County. The August 13, 2002, Board letter and August 27, 2002, Board minutes have been attached for your reference.

In response to your Board's direction, ISD and my office successfully negotiated a purchase agreement between the County and AEC for the initial six helicopters and an option for the purchase of an additional six helicopters. The aggregate acquisition cost for twelve helicopters under these agreements was maintained at \$28.8 million, which was the cost originally presented to your Board, and did not require a financial penalty if the option for the purchase of the second six helicopters was not exercised by the County.

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The purchase agreement for the initial six helicopters was executed on November 21, 2002 with a purchase cost of \$14.2 million. Financing was secured from Citicorp Real Estate, Inc. (Citicorp) through a competitive bidding process, for a seven year term and an overall interest rate of 3.643 percent. The executed financing lease will result in annual payments of \$2,315,828 for the initial six helicopters.

The option for purchase of the second six helicopters can be exercised by the County at any time through April 23, 2003. There is no financial penalty if the County does not exercise this option. If the Sheriff, ISD, and my office determine that the option should be exercised, we will return to your Board to obtain approval of a financing plan for the second six helicopters.

Please let me know if you have any questions or require any further information on this transaction, or your staff may contact Jan Takata, of my staff, at (213) 974-1360.

DEJ:SNY:JSE
DJT:PB:mc

Attachments

c: Executive Officer, Board of Supervisors
 County Counsel